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Good morning. Thank you very much for inviting me to speak with you today.

The topic you have set for me -- in the present crisis atmosphere, do we expect the world to turn away from free markets and free trade and toward protectionism and regulation -- recognizes an unwelcome but obvious point. That is, the last few months have brought us quite a bit of bad news. So before I address our agenda, let me begin with some perspective.

A RECORD OF ACCOMPLISHMENT

In the past six years, the Clinton Administration has negotiated 260 separate trade agreements, and including five of truly historic significance: the Uruguay Round, NAFTA, and last year's agreements on financial services, basic telecommunications and information technology.

These agreements in turn build upon a fifty-year legacy of opening markets worldwide, beginning with the establishment of the GATT in 1947. This policy has not only helped our companies and entrepreneurs find markets but advanced basic American values: personal freedom; rewards for hard work and innovation; and open markets under the rule of law.

As a result, since 1960 trade has grown fifteen-fold, and world per capita income doubled. Regions of the world once known for wars and poverty -- Southeast Asia, Latin America, most recently Africa -- have developed at astonishing speed. China and Russia, great nations which once sought to overthrow the market system, now aspire to join. America's highest-skilled, highest-wage industries have boomed, with exports rising from \$617 billion to \$938 billion just since the Clinton Administration took office.

These blessings have extended from the world's richest to its poorest. The dissemination of new medicines has helped raise life expectancy from 48 years in 1955 to 65 today, and cut infant mortality from 148 per thousand to 59. With the growth in agricultural trade, famine has receded from all but the most remote corners of the world. New telecommunications and the Internet open worlds of information and opportunity to anyone with a computer terminal.

RESPONSE TO THE FINANCIAL CRISIS

At the same time, however, we can all clearly see the challenges we must face: with the open international market and all its blessings have come new sources of instability and risk.

As President Clinton has said, the events which began as a currency crisis in Southeast

Asia last year have become the most dangerous financial crisis the world has faced in fifty years.

Its effects are obvious in our own export figures. Compared to last year, our exports to the Asia-Pacific region fell \$14 billion in the first six months of 1998. That includes a loss of \$4 billion, or 12%, in exports to Japan alone, and a loss of fully 70% of our exports to Indonesia. The result has been a drop of 2.5% in GDP growth for us this year, instability in financial markets, declining farm incomes, and the specter of job losses in manufacturing industry.

This is quite likely to intensify public concerns about the international economy in the long run. But before we take up that question, we must address the crisis itself. Therefore, our top priority is to work with the IMF and affected countries to restore currency stability and promote economic recovery. We are monitoring the conditionality of IMF programs closely, and in cases such as Thailand where the programs are being implemented, we see good signs. However, resources at the IMF are at historic lows. Every day Congress does not approve the President's request for IMF funding increases our vulnerability to a crisis, and decreases confidence in global markets. The Senate has now approved full IMF funding by large bipartisan majorities twice, but there is a serious bottleneck in the House. At a time when the markets are looking to see if the international community has the capacity to deal with these crises, passage of IMF funding is critically important. The Congress needs to act immediately.

Equally important, Japan as the world's second-largest economy must act immediately, because economic stagnation in Japan makes recovery far more difficult for all of Asia. For example, as Thailand's exports to the United States rose by \$600 million in the first six months of 1997, Thai exports to Japan shrank from by nearly \$800 million. Indonesian exports to Japan have dropped by a third. We thus believe Japan must use fiscal stimulus to spur demand-led growth, address problems in the financial system, open its markets and deregulate its economy.

I have just returned myself from the President's meeting with Prime Minister Obuchi. This followed a visit to Tokyo, where I discussed both the financial crisis and our Enhanced Deregulation Initiative, including open distribution systems, transparent regulation and rule-making, and deregulation of telecommunications, financial services, housing, medical devices and pharmaceuticals. We will closely monitor Japan's implementation of these commitments and of our earlier agreements; as we continue to push for sustained fiscal stimulus to prevent recession, and urgent attention to the problems in the financial system.

And we are committed to an open market policy at home. We expect a very high trade deficit this year, including perhaps a record with Japan. As this happens, we will of course continue to enforce our domestic laws against unfair foreign export practices, and we will adopt sensible policies in the case of import surges. But we will remember the lesson of the 1930s, and -- as we ensure that countries like China, Argentina, Chile and Brazil do not respond by reverting to protectionism -- we will refuse to panic and shut off trade ourselves. That would only hurt our trade partners and worsen the crisis.

WHERE TO NOW?

Where, then, should we go next? Does this experience mean we should change directions on trade? We can begin to answer these questions by reminding ourselves of the role exports and trade play in our economy.

Think of growth: Between 1992 and 1997, our economy expanded from about \$7.2 trillion to \$8.1 trillion. Exports accounted for over one third, or \$320 billion, of that growth.

Think of jobs: Over 12 million American jobs -- just under one in ten -- now depend on exports. That proportion is growing, as between 1992 and 1997, exports accounted for one in every six of the 15 million new jobs created during the Clinton Administration.

Think of wages: That in turn means higher living standards, as jobs supported by goods exports are more productive and pay an average of 13% to 16% higher than the U.S. national average. It is no accident that in the last two years, average wages have risen from \$394 to \$424 per week.

And think of the future: About one in every twenty-five people in the world is American. And our economy is about a fifth of world consumption. The other 96% of world population and 78% of world consumption is outside our borders. We have to sell there to succeed.

To our Administration, the right course is clear. Avoid responses which -- as in the extreme case, a reversion to protectionism -- could worsen the crisis; instead work toward a more open, stable world economy.

FUTURE AGENDA

And that brings me to our agenda for the future.

In the past decade -- through multilateral agreements, 35 separate bilateral agreements with Japan, 15 with the European Union, 15 with Canada, 15 with China -- we have brought down tariffs and other trade barriers substantially.

Through the Uruguay Round, in addition to these lower barriers, we created basic international rules for trade in agriculture and services and an effective dispute settlement mechanism, in which the United States has filed and won more complaints than any other nation.

And we have cemented our trade relationship with our immediate neighbors through NAFTA. Incidentally, this agreement has helped us immensely during the crisis -- as our exports to Asian countries dropped by \$14 billion in the first six months of this year, our exports to Mexico and Canada grew by \$11 billion, saving jobs and farm incomes all over the country.

However, we have more work ahead. We still face high trade barriers in several fields, most of all in agriculture and services where the US is the world leader. The end of the Cold War and the revolution in science and technology have also changed the trade landscape. And as trade has grown, the American public naturally is more concerned and interested in trade policy. Our strategy thus addresses four fundamental challenges.

MARKET-OPENING AGENDA

The first is what we might call our traditional agenda: further opening the markets of our major trade partners, creating new and more open markets through regional negotiations, and improving the rules of the multilateral trade system.

1. Regional Initiatives

-- Looking at our own hemisphere, before the NAFTA Mexico's tariffs before the agreement averaged 10% while ours averaged 4%. The discrepancies we will address in the much broader Free Trade Area of the Americas -- negotiations began in earnest this month in Miami and are set to produce detailed outlines of a final agreement within a year -- are equally great.

-- This is even more evident in Asia, where we face complex and informal barriers as well as formal tariffs and quotas. I already mentioned our 35 agreements with Japan; these are now being augmented by our Enhanced Initiative on Deregulation, covering both critical industrial sectors and broad regulatory and competitive issues that stretch across the economy.

-- More broadly in Asia, we have targeted fifteen industrial sectors for liberalization in Asia-Pacific Economic Cooperation (APEC) this year. We are scheduled to reach agreement on nine, which together account for \$1.5 trillion in trade, by November this year.

-- In Africa our trade relations are only beginning to develop. But we are working to expand exports by organizing more frequent trade missions, negotiating bilateral agreements and more fully integrating African nations into the World Trade Organization.

-- We are working to remove barriers and strengthen trade relations with the European Union. Technical trade barriers -- for example, the duplicative regulations, unnecessary paperwork, and other problems the Trans-Atlantic Business Dialogue has identified -- reduce the value of our exports to Europe by up to 2%, or \$3 billion last year. Through the Transatlantic Economic Partnership we began in London last May, we hope to find mutually acceptable ways to increase many of these issues, as well as problem areas like agriculture. And we will ensure that the expansion of the EU to Central Europe, which we support, will not endanger American economic interests.

WTO Agenda

We will also launch negotiations next year at the WTO, when the United States hosts the Third WTO Ministerial Conference. We are now beginning to discuss specific objectives in various sectors and I would welcome your comments today or in the months to come, but among our initial thoughts are --

- In agriculture, we look for broad reductions in tariffs, combined with improved rules for tariff rate quotas and assurances against use of unduly restrictive administrative procedures as substitutes for such barriers. We hope to reduce and eventually eliminate export subsidies, and address domestic supports linked to production. And we will seek transparency and improved disciplines on state trading enterprises.
- Services -- We will seek broad commitments for significantly improved market access from other countries, achieving maximum liberalization and improved transparency in a wide range of sectors. This will not only help ensure market access for competitive U.S. firms, but openness, transparency, and impartial regulation in service markets worldwide.
- Government procurement, a market totalling over \$3 trillion a year, where we hope to bring more countries under WTO disciplines while creating a more transparent bidding environment worldwide.
- And issues like bribery and corruption, which comprehensively undermine the principles of markets and the rule of law which allow the trading system to function.

END OF THE COLD WAR

The second great challenge we face is that raised by the end of the Cold War. This is the integration of our former adversaries -- Russia and China; Ukraine, Vietnam and other economies in transition as well -- into the trading system.

For decades these countries operated economies divorced from the world and antithetical to WTO principles. They were somewhat different -- the Soviet economy ran on a very stable system of planned production, while China shifted from the Soviet model to the communes and then to the reform model. But their major features were quite similar.

They allowed virtually no private business other than a few foreign factories and small-scale private farms. They had no independent judicial system, and consequently regulated industries by arbitrary command rather than transparent law. They did very little trade with the capitalist world; and they thus little stake in peace and stability beyond their borders.

In their own ways, Russia and China -- along with Vietnam, Ukraine, Kazakhstan and many other nations -- have broken with this legacy. They are trying to create markets. Enter world trade. And in the largest sense, replace the rule of man with the rule of law. For the post-Cold War world, this is a task no less important than the reintegration, through the GATT and the

other Bretton Woods agreements, of Japan and Germany after the Second World War.

Accession to the WTO, under commercially meaningful terms, will bring them a long way toward the goal. The negotiations we conduct on this question are vastly complex, involving everything from thousands of individual tariffs to copyright law enforcement and scientific food inspection standards. They are often slower than we would like. But the results, as years go by and you complete the job we have begun, will be profound: freer markets; openness to the world; transparency; peaceful settlement of disputes; the rule of law. And thus greater prosperity and a more secure peace.

THE 21ST CENTURY ECONOMY

The third strategic challenge is the scientific and technological revolution.

Science is moving ahead, in every field from the Internet and Electronic Commerce; to pharmaceuticals and medical equipment; agriculture; environmental technologies; and information technology. These are fields in which the US leads the world and can gain immensely from open trade; and they are ways to raise living standards, advance the principles of open society, reduce hunger and improve health worldwide.

Our trade policy thus seeks to fulfill the promise of new technology for better lives as it advances our concrete commercial interest. This is the basis of last year's three landmark trade agreements on information technology, telecommunications, and financial services -- agreements so significant that the WTO's Director General, Renato Ruggiero, calls them the equivalent of a major trade Round.

The Information Technology Agreement (ITA) will eliminate tariffs on a wide range of global information technology products over the next several years; products that even today make up about one in every thirty dollars of world GDP. And we are moving forward with negotiations for an ITA II for expanded product and country coverage.

The Agreement on Basic Telecommunications includes 70 countries and over 95% of world telecom revenue in a \$750-billion industry. It provides U.S. and foreign companies access to local, long-distance and international service through any means of network technology, and ensures that U.S. companies can acquire, establish or hold a significant stake in telecom companies around the world. In doing so, it replaces a 60-year tradition of national telecommunications monopolies and closed markets with market opening, deregulation and competition, reflecting American values of free competition, fair rules and effective enforcement.

And last December, we secured the multilateral Agreement on Global Financial Services, including banking, securities, insurance and financial data services. It covers 95% of the global financial services market, and 102 WTO members now have market-opening commitments in the financial services sectors. They encompass \$18 trillion in global securities assets; \$38 trillion in

global (domestic) bank lending; and \$2 trillion in worldwide insurance premiums.

These agreements can be models for sectors identified in APEC -- environmental goods and services, energy, and medical equipment -- as possible areas for trade liberalization, and as guides for some of the coming negotiations under the WTO.

For example, the “built-in agenda” confirmed at the WTO Ministerial last May is an opportunity to extend protection of IPR beyond basic laws and enforcement to protect new technologies -- everything from genetically engineered plant varieties to digital video discs and newly developed computer software programs.

Likewise, we must build on the agreement to a “standstill” for tariffs on electronic transmissions, to make sure global electronic commerce can reach its full potential.

And we must make sure farmers and ranchers can use safe, scientifically proven techniques like biotechnology to make farms and ranches both more productive and friendly to the environment, without fear of encountering trade discrimination.

THE SUPPORT OF CITIZENS FOR TRADE

All this amounts to an ambitious agenda; and I believe one that will do an immense amount of good for Americans and for the world.

And that brings me back to the fourth great challenge -- and with it, to the original question CQ and Businessweek posed to me. That is, will the public continue to support an agenda of open trade and open markets; or will we slip backward?

The answer depends on many things:

- A continuing effective response to this crisis.
- A more focused effort to ensure that the public has the facts about trade: the importance of exports in our current national prosperity; the high wages that export jobs pay; the role of the trade system in advancing the values of freedom, transparency and the rule of law.
- And a response to the fears and anxieties many Americans have about trade.

We have to address, addressing in a serious way, the links between trade and labor standards, and trade and the environment. Our citizens must know that growing trade will not mean a declining quality of life.

We must address some very legitimate concerns about the institutions of trade. We believe in open government; our citizens expect to be able to watch Congressional debates; and

our judicial proceedings are open to the public unless there is a compelling reason to close them. That is why our government, whatever its faults, has succeeded for two hundred years. And as trade grows, its rules and institutions must adopt the same principles of openness and accessibility to the citizen if the trade system is to retain public support.

For example, the World Trade Organization does not let people sit in to watch arguments before dispute settlement panels. That is wrong in itself, and is a natural breeding ground for rumors and misinformation. So I am very proud that President Clinton was the first world leader to offer to open up all the disputes in which we participate; and I hope you will help us make this the policy of the entire WTO.

Finally, we need an improved education system and domestic safety net. Schools must ensure that our young people can compete and succeed in a world far more competitive than the one in which you and I grew up. And health insurance, unemployment compensation and job training are there when any worker loses a job.

CONCLUSION

These are serious, difficult questions. But the ability of the United States to shape the 21st-century world depends upon them.

So the answer to the question is really -- it's up to us.